

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER COMPANY	DOCKET NOS. RFU-98-16 RFU-98-19 RFU-99-5 WRU-98-11-150
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ORDER GRANTING REHEARING AND CONTINUING WAIVER

(Issued April 14, 2000)

On March 3, 2000, the Utilities Board (Board) issued an order in these consolidated dockets directing Interstate Power Company (Interstate) to refund to its customers four refunds that Interstate had received from Northern Natural Gas Company (Northern) as a result of an order issued by the Federal Energy Regulatory Commission (FERC) in Public Service Company of Colorado, et al., Docket Nos. RP97-369-000, et al.

On March 16, 2000, Interstate applied for rehearing of the Board's order, requesting that the Board continue the waiver of 199 IAC 19.10(8) already granted in this docket. Interstate argues that the refund amounts are still uncertain and subject to change. The FERC order was appealed to federal court, which ultimately affirmed the principles embodied in the FERC order but remanded the matter to the FERC to determine the correct refund period. FERC is still engaged in this process. Further, Northern is holding an upcoming settlement discussion meeting in May with

producers, state regulators, and customers to discuss a possible negotiated resolution of the outstanding refunds.

On March 27, 2000, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a response to Interstate's application for rehearing. Consumer Advocate states it is aware of the uncertainty with respect to the amount of refunds. Consumer Advocate expresses the belief it is better for Interstate to retain the refund amount with interest accruing thereon than to refund the amount at this time and potentially have to charge customers for all or part of the refund amount at a later date.

In a similar proceeding, Re: MidAmerican Energy Company, Docket No. WRU-00-21-156 (WRU-98-9-156, RFU-98-11, RFU-98-22, RFU-99-2), the Board is granting a waiver of 199 IAC 19.10(8), which would ordinarily require that the Northern refunds be refunded to customers directly, and is instead ordering that MidAmerican Energy Company continue to retain the Kansas ad valorem tax refunds in a special refund retention account until November 1, 2000, at which time the balance can be included in the company's PGA reconciliation. The Board believes this is an appropriate resolution for this docket, as well.

By including the Kansas ad valorem tax refunds in the PGA reconciliation, Interstate will be able to reduce any underbilling of gas costs as of August 31, 2000. If the PGA reconciliation results in an undercollection, the refunds will be used to offset the undercollection and interest will be paid on the refunds through

November 15, 2000. If the PGA reconciliation results in an overcollection the interest on the refund will continue to be paid and included through half of the prospective ten-month period beginning November 1, 2000.

Allowing the refund amounts to be retained until the PGA reconciliation could prove beneficial for the following reasons:

1. The refund amounts could be used to offset any PGA undercollection Interstate may experience. It would be less efficient to require Interstate to refund the Kansas ad valorem tax refunds now only to allow Interstate to collect increased PGA amounts in the near future.
2. The additional time may further clarify the proper amount of refund due Interstate from Northern, as events continue to develop.
3. By making the refund through the PGA reconciliation, the administrative costs involved in requiring a refund by bill credit or check will be minimized. There are potentially significant costs associated with making refunds by bill credit or by check, but there would be little if any administrative costs involved in having the refunds go back through the PGA reconciliation.

For these reasons, the Board will grant rehearing and continue the waiver previously granted in this docket to permit Interstate to continue to retain the Kansas ad valorem tax refunds in a special refund retention account until November 1, 2000, at which time the balance can be included in Interstate's PGA reconciliation. The Board is aware that Interstate has not specifically requested this treatment. If

Interstate believes different treatment would be more appropriate to its particular situation, Interstate should make a filing explaining its position within 30 days of the date of this order.

IT IS THEREFORE ORDERED:

The request for rehearing filed by Interstate Power Company on March 16, 2000, is granted to the extent described in the body of this order.

UTILITIES BOARD

/s/ Allan T. Thoms

ATTEST:

/s/ Raymond K. Vawter, Jr. /s/ Diane Munns
Executive Secretary

Dated at Des Moines, Iowa, this 14th day of April, 2000.